

Farm Credit Administration

§ 614.4700

(1) Failure to comply with this subpart or the terms of the agreement between the bank and the OFI.

(2) Failure to correct violation of State or Federal statutes brought to the attention of the OFI, where the nature of the violation calls into question the safety of the loan or discount relationship or the integrity of the OFI's management.

(3) Failure to maintain management, credit practices, or credit quality satisfactory to the bank.

(4) Failure to use the established credit line to the extent contemplated in § 614.4560(b)(5) of this subpart.

(5) Changes in the operation of the institution which render it ineligible under § 614.4550 of this subpart.

(b) During any period of suspension the bank shall not be required to purchase from or discount for the OFI any new obligations and no further advances shall be required pending correction of a default. The bank may make advances to cover commitments on obligations held by the bank or to preserve the security and protect the interest of the bank in obligations held by it. Before making additional advances to an OFI whose right to borrow or discount has been suspended because the ratio of its total liabilities to unimpaired capital and surplus equals or exceeds the maximum permitted under law, the bank shall satisfy itself that the OFI will not violate any applicable law by assuming liability for such additional advances.

[46 FR 51886, Oct. 22, 1981, as amended at 55 FR 24886, June 19, 1990]

§ 614.4660 Place of discount.

When an OFI has loans outstanding to borrowers in more than one Farm Credit district, it shall establish its eligibility with the bank in whose territory the OFI has its principal place of business. However, if more than 50 percent of the OFI's loans outstanding to borrowers are located in a single Farm Credit district other than that in which the OFI is headquartered, it shall establish its eligibility and discount relationship with the bank in whose territory the loan volume is concentrated. No OFI having access to a bank on the effective date of these regulations shall be required to change its

relationship to another bank unless the OFI changes its headquarters location or its lending territory.

[46 FR 51886, Oct. 22, 1981, as amended at 55 FR 24886, June 19, 1990]

Subpart Q—Banks for Cooperatives and Agricultural Credit Banks Financing International Trade

§ 614.4700 Financing foreign trade receivables.

(a) Banks for cooperatives and agricultural credit banks, under policies adopted by their boards of directors, are authorized to finance foreign trade receivables on behalf of eligible cooperatives to include the following:

- (1) Advances against collections;
- (2) Trade acceptances;
- (3) Factoring; and
- (4) Open accounts.

(b) To reduce credit, political, and other risks associated with foreign trade receivable financing, the banks for cooperatives and agricultural credit banks shall avail themselves of such guarantee and insurance plans as are available in the United States and other countries, such as the Foreign Credit Insurance Association and the Export-Import Bank of the United States. Exceptions may be made where a prospective borrower has had a long-standing successful business relationship with the eligible cooperative borrower or an eligible cooperative which is not a borrower if the prospective borrower has a high credit rating as determined by the bank.

(c) When financing a draft drawn on a foreign importer, the banks should retain recourse to the exporter unless their credit evaluation of and experience with the importer indicate recourse is not necessary or unless appropriate guarantees or insurance plans are used.

(d) The financing of foreign trade receivables shall be limited by the policies of each bank's board of directors. The policies shall provide a method of determining the maximum amount in dollars, by country, to be financed and establishing a maximum percentage of the amount of a draft drawn on a foreign party against which the bank may

advance funds. The banks shall take into consideration the following factors:

(1) The reputation and financial strength of the foreign importer.

(2) The reputation and payment record of the class of importers in the same country as the subject importer in regard to prompt payment of drafts drawn upon them.

(3) The quality of the supporting documents offered with the draft.

(4) The degree of ease with which necessary foreign exchange conversion can be made, or the extent to which foreign currency exposure may be hedged by forward or future contracts.

(5) The reputation and financial strength of the exporter.

(e) The banks may establish foreign trade receivable financing programs by which eligible parties pledge collections to the bank, and then may borrow from the bank up to a stated maximum percentage of the total amount of receivables pledged at any one time.

(f) When financing foreign trade receivables, the banks shall take such precautions and obtain such credit information as necessary to ascertain that all parties to the transaction(s) being financed are reputable and capable of performing their responsibilities under the contract of sale.

(g) When financing foreign trade receivables, the banks shall determine that all shipments are covered by maritime insurance while on the high seas.

(h) Countries where credit is to be extended will be analyzed periodically and systematically on a centralized basis. The resulting country studies will be disseminated to all banks for cooperatives and agricultural credit banks to be used as inputs in credit grading decisions.

[46 FR 51879, Oct. 22, 1981, as amended at 55 FR 24886, June 19, 1990; 62 FR 4445, Jan. 30, 1997]

§ 614.4710 Bankers acceptance financing.

The Funding Corporation is authorized to accept drafts or bills of exchange drawn upon banks for cooperatives and agricultural credit banks. With the exception of acceptances eligible for purchase by the Federal Reserve Banks under the direction and

regulation of the Federal Open Market Committee and rediscounted, acceptances shall be subject to the provisions of subpart J of this part and must be combined with any other loan to the account party by the banks for cooperatives and agricultural credit banks for the purpose of applying the lending limits of § 614.4355 of this part.

(a) *Limitations.* (1) The Funding Corporation is authorized to accept drafts or bills of exchange drawn upon a bank for cooperatives or an agricultural credit bank having not more than 6 months' sight to run, exclusive of days of grace, that are derived from transactions involving the importation or exportation of agricultural commodities, farm supplies, or aquatic products into or out of the United States; or are derived from transactions involving the domestic shipment of goods that were produced from agriculture or commercial fishing or that have an agriculturally or aquatically related purpose; or are secured at the time of acceptance by title covering readily marketable staples.

(i) The dollar amount of such acceptances outstanding at any one time to any one borrower, exclusive of participations sold to others, shall be limited to 10 percent of the net worth of a bank for cooperatives or an agricultural credit bank as calculated on a monthly basis after eliminating from its net worth an amount equal to the total of the bank's investments made to capitalize participation interests purchased by other institutions. However, if such acceptances are secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance, the 10-percent limit shall not apply.

(ii) The sum of all acceptance liabilities outstanding described in paragraph (a)(1) of this section, exclusive of participations sold to others, issued to all borrowers shall not exceed 150 percent of the bank for cooperatives' or agricultural credit bank's net worth, but the aggregate of acceptances growing out of domestic transactions shall not exceed 50 percent of net worth calculated on a monthly basis.

(2) The limit specified in paragraph (a)(1)(i) of this section is separate from